APPENDIX.

Federal Statutes.

Title VIII, Revenue Act of 1928 as amended by Title V, Part III, of the Revenue Act of 1932:

Sec. 800. On and after the expiration of thirty days after the enactment of this Act there shall be levied, collected, and paid, for and in respect of the several bonds, debentures or certificates of stock and of indebtedness, and other documents, instruments, matters, and things mentioned and described in Schedule A of this title, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, are written or printed, by any person who makes, signs, issues, sells, removes, consigns, or ships the same, or for whose use or benefit the same are made, signed, issued, sold, removed, consigned, or shipped, the several taxes specified in such schedule. The taxes imposed by this section shall, in the case of any article upon which a corresponding stamp tax is now imposed by law, be in lieu of such tax.

Sec. 801. There shall not be taxed under this title any bond, note, or other instrument, issued by the United States, or by any foreign government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power; or any bond of indemnity required to be filed by any person to secure payment of any pension, allowance, allotment, relief, or insurance by the United States, or to secure a duplicate for, or the payment of, any bond, note, certificate of indebtedness, war-savings certificate, warrant or check, issued by the United States; or stocks and bonds issued by domestic building and loan associations substantially all the business of which is confined to making loans to members, or by mutual ditch or irrigation companies; or stocks and bonds and other certificates of indebtedness issued by any farmers' or fruit growers' or like associations organized and operated on a cooperative basis for the purposes, and subject to the conditions, prescribed in paragraph (12) of section 231.

Schedule A. Title VIII, Revenue Act of 1926 as added by Section 724 (a) of Revenue Act of 1932:

9. Bonds, etc., sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to any of the instruments mentioned or described in subdivision 1 and of a kind the issue of which is taxable thereunder, whether made by any assignment in blank or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale (whether entitling the holder in any manner to the benefit of such instrument or not), on each $100 of face value or fraction thereof, 4 cents: *Provided,* That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of instruments as collateral security for money loaned thereon, which instruments are not actually sold, nor upon the delivery or transfer for such purpose of instruments so deposited: *Provided further,* That the tax shall not be imposed on deliveries or transfers of bonds in connection with a reorganization (as defined in section 112 of the Revenue Act of 1932) if any of the gain or loss from the exchange or distribution involved in the delivery or transfer is not recognized under the income tax law applicable to the year in which the delivery or transfer is made: *Provided further,* That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further,* That the tax shall not be imposed upon deliveries or transfers from a fiduciary to a nominee of such fiduciary, or from one nominee of such fiduciary to another, if such instruments continue to be held by such nominee for the same purpose for which they would be held if retained by such fiduciary, or from the nominee to such fiduciary, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further,* That where the change of ownership is by transfer of the instrument the stamp shall be placed upon the instrument; and in cases of an agreement to sell or where the transfer is by delivery of the instrument assigned

in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person, who makes any such sale, or who in pursuance of any such sale delivers any certificate or evidence of the sale of any such instrument, or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding $1,000, or be imprisoned not more than six months, or both.

Federal Regulations.

Regulations 71 of Commissioner of Internal Revenue:

Art. 120. Basis of tax.—The tax accrues at the time of making the sale or agreement to sell or memorandum of sale, or delivery of, or transfer of the legal title to, the bonds, regardless of the time or manner of the delivery of the bonds or agreement or memorandum of sale. The provisions of articles 34 to 39, both inclusive, of these regulations, relating to sales or transfers of stock, are controlling also in respect of sales or transfers of bonds, in so far as consistent with the provisions of Schedule A-9 and in so far as not inapplicable to the matter of sales or transfers of bonds.

Loans of bonds and the return of bonds loaned are subject to tax.

A bill or memorandum, such as provided in article 36, is required in respect of every sale or transfer of a bearer bond.

Art. 36. Memoranda of sales.—Every person who makes an agreement to sell or transfers title to shares of stock by delivery of certificates assigned in blank, including every person who lends stock, shall, as a part of such transaction, promptly make and deliver to the buyer or borrower a bill

or memorandum of such sale, agreement to sell, or loan, duly signed by the seller or lender or his agent, to which the requisite stamps shall be affixed and canceled, which bill or memorandum shall show the date of the transaction, the names of the seller and buyer, or lender and borrower, and the name and number of shares of stock, and the tax paid thereon, and in the case of a transaction made on an exchange shall bear a number upon the face thereof and have printed or written in ink thereon the words "Subject to the Revenue Act of 1926, as amended, and regulations made in accordance therewith." No more than one such bill or memorandum made by the seller or lender on any given date shall bear the same number. However, no single transaction or purchase or sale that is made upon an exchange by one member to another member shall be required to be evidenced by more than one stamped memorandum.

Illinois Statutes.

Act of April 18, 1899, L. 1899, p. 257; (Smith-Hurd, Ill. Rev. Stat., 1931, ch. 73, sec. 240 (1).)

Sec. 1. Any life insurance company now incorporated or which may hereafter be incorporated under the laws of this State may deposit with the Director of Trade and Commerce in addition to the amount now required and authorized by law to be deposited with him, securities to any amount not less than $10,000, which shall be legally transferred by it to him as Director of Trade and Commerce for the common benefit of all the holders of its registered policies and annuity bonds issued under the provisions of this Act which shall be held by him in trust for the purposes and objects specified herein. Only such investments and loans shall be eligible for deposit as are authorized investments under "An Act to revise the law regulating the investments of the funds and the real estate holdings of life insurance companies," enacted by the Fifty-Eighth General Assembly, *provided, however,* that certificates of purchase acquired by such company through foreclosure proceedings instituted by it upon mortgages in which its funds have been lawfully invested, and duly recorded conveyances of unencumbered

improved real estate lawfully acquired by such company accompanied by satisfactory evidence of ownership thereof, and the Director of Trade and Commerce shall hold the title to such real estate so conveyed to him in trust as aforesaid until other satisfactory securities in lieu thereof have been deposited with him whereupon he shall reconvey the same to such company. The Director of Trade and Commerce may cause such real estate to be valued and the company shall pay the reasonable expenses incurred in such valuation. (As amended by an Act approved July 7, 1933. In effect July 7, 1933. L. 1933, p. 663.)

Sec. 2. After making the deposit mentioned in the preceding section, no company shall issue a policy of insurance or endowment or an annuity bond, unless it shall have upon its face a certificate in the following words: "This policy is registered; and approved securities, equal in value to the legal reserve hereon, are held in trust by this department," which certificate shall be signed by the superintendent and sealed with the seal of his office. Such policies and bonds shall be known as registered policies and annuity bonds, and a duplicate or copy of each kind, class and issue shall be kept in the office of the insurance superintendent. All policies and bonds of each kind and class issued, and the copies thereof filed in the office of the superintendent, shall have imprinted thereon some appropriate designating letter, combination of letters or terms identifying the special form of contract, together with the year of adoption of such form, and whenever any change or modification is made in the form of contracts, policy or bond, the designating letters or terms and year of adoption thereon shall be correspondingly changed.

The superintendent shall prepare and keep such registers hereof as will enable him to compute their value at any time. Upon written proof attested by the president or vice president and secretary of the company which shall have issued such policies or annuity bonds, that any of them have been commuted or terminated, the superintendent shall commute or cancel them upon such register. The net present value of all policies or annuity bonds, according to the standard prescribed in the laws of this State for the valuation of

policies of life insurance companies, when the first premium shall have been paid thereon, less the amount of any liens, (as set forth in a statement showing kind, nature and amount, attested by the president or vice president and secretary of the company issuing the policies against which such liens exist) not exceeding such value as the company may have against such policies or annuity bonds, shall be entered in the register aforesaid at the time such record is made. On the first day of January of each year, or within sixty days thereafter, the superintendent shall cause the registered policies and annuity bonds of each company to be carefully revalued, and the actual value thereof at the time fixed for such valuation, less any liens, (as set forth in a statement showing kind, nature and amount, attested by the president or vice president and secretary of the company issuing the policies against which such liens exist) not exceeding such value as the company may have against such policies or annuity bonds, shall be entered upon the register and the superintendent shall furnish a certificate of the aggregate of such value to the company. It shall be the duty of the superintendent to cancel mutilated policies and annuity bonds, issued by said companies, and register in lieu thereof other policies or bonds of like tenor and date. (As amended by Act approved July 3, 1931. L. 1931, p. 639.)

Sec. 3. Each company which shall have made the deposit herein provided for shall make additional deposits from time to time in amounts of not less than five thousand dollars, and of such securities as are permitted by section 1 of this Act to be deposited so that the market value of the securities deposited shall always be equal to the net value of the registered policies and annuity bonds issued by said company, less such liens (not exceeding such net value) as the company may have against them. So long as any company shall maintain its deposit, as herein prescribed, at an amount equal to or in excess of the net value of its registered policies and annuity bonds as aforesaid, it shall be the duty of the superintendent to sign and affix his seal to the certificates before mentioned on every policy and annuity bond presented to him for that purpose by any company

so depositing. (As amended by Act approved May 23, 1907. L. 1907, p. 360.)

Sec. 4. The superintendent shall keep a careful record of the securities deposited by each company and when furnishing the annual certificates of value mentioned in section two, he shall enter thereon the amount and market value of such securities deposited by such company. If at any time it shall appear from such certificate or otherwise that the value of the securities held on deposit is less than the actual value of the registered policies and annuity bonds issued by such company it shall not be lawful for the superintendent to execute the certificate on any additional policies or annuity bonds of such company until it shall have made good the deficit. If any company shall fail or neglect to make good such deposit for sixty days it shall be deemed to be insolvent and shall be proceeded against in the manner provided by law in such cases.

Sec. 6. Any company depositing under the provisions of this Act may increase its deposits at any time by making additional deposits of not less than five thousand dollars of such securities as are authorized by this Act. Any such company whose deposits exceed the net value of all registered policies and annuity bonds it has in force, less such liens (not exceeding such net value) as the company may hold against them, may withdraw such excess, or it may withdraw any of said securities at any time by depositing others of equal value and of the character authorized by this Act in their stead; and so long as said company shall remain solvent and keep up its deposits, as herein required, it may collect the interest, coupons, rents and other income on the securities deposited as the same accrue. (As amended by Act approved May 23, 1907, p. 360.)

"Illinois Insurance Code" adopted June 29, 1937, effective July 1, 1937.

Sec. 248. Registration of New Policies Prohibited. After the effective date of this Code the Director shall not register any new policies that are issued by any company, nor accept any deposits covering reserves on business thereafter written.

Sec. 250. Additional Deposits. Each company which shall have made the deposit provided for by the act mentioned in section 246, shall make additional deposits from time to time in amounts of not less than five thousand dollars of securities which are authorized investments for life insurance companies under this Code, so that the market value of the securities deposited shall always be equal to the reserve value of the policies heretofore registered by said company, less such liens (not exceeding such net value) as the company may have against them.

Act of June 26, 1925 (L. 1925, p. 446), title amended by Act May 20, 1929 (L. 1929, p. 527) Liquidation of Insurance Companies:

Sec. 2. Whenever any resident company (a) is insolvent * * * or (c) has neglected or refused to observe an order of the director to make good within the time prescribed by law any deficiency, whenever its capital or its reserve, shall have become impaired; * * * then the director shall report any such case to the Attorney General of this State whose duty it shall be to apply forthwith by petition of the director in the name of the People of the State of Illinois to the Circuit Court of the county in which the principal office of such company in this State is located for an order directing such company * * * to show cause why a receiver should not be appointed as hereinafter set forth to take possession of its property and conduct its business, and for such other relief, as the nature of the case and the interests of its policyholders, creditors, members, stockholders or the public may require. (See Sec. 188 of Illinois Insurance Code of 1937, p. 89-90.)

Sec. 3. * * * Upon the appointment and qualification of such receiver as aforesaid, he shall forthwith take possession of the property and conduct the business of such company, and retain such possession and conduct such business until, on the application either of the director, through the Attorney General, or of such company, it shall, after a like hearing, appear to the court that the ground for such order for the appointment for such receiver has been removed and that the company can properly resume posses-

sion of its property and the conduct of its business. (As amended by Act approved May 20, 1929. L. 1929, p. 527.)

Sec. 4. If, on like application and order to show cause, as provided in section two, and after a full hearing, the court shall order the liquidation of the business of such company, such liquidation shall be made by and under the direction of such receiver, who may deal with the property and business of such company in his own name as receiver or in the name of such company, as the court may by order direct, and as such receiver shall be vested by operation of law with title to all of the property, contracts and rights of action of such company as of the date of the order so directing liquidation. The filing for record of such order in the office of the recorder of deeds in any county of this State shall impart the same notice that a deed, bill of sale or other evidence of title duly filed for record by such company would have imparted. The rights and liabilities of any such company, and of its creditors, policyholders, stockholders and members, and of all other persons interested in its assets, shall, unless otherwise directed by the court, be fixed as of the date of the entry of the order directing the liquidation of such company.

Sec. 191. (Illinois Insurance Code, 1937, p. 91) Title to Property of company.

The Director and his successor and successors in office shall be vested by operation of law with the title to all property, contracts and rights of action of the company as of the date of the order directing rehabilitation or liquidation. The filing or recording of such order in the office of the Recorder of Deeds or the Registrar of Titles in any county of this State shall impart the same notice that a deed, bill of sale or other evidence of title duly filed for record by such company would have imparted.